

TRANSCRIPT OF  
MEETING  
of  
STATE LANDS COMMISSION

LOS ANGELES, CALIFORNIA  
AUGUST 25, 1960 - 9:00 A. M.

PARTICIPANTS:

THE COMMISSION:

Messrs. Alan Cranston, Controller, Chairman  
Glenn M. Anderson, Lieutenant Governor  
John E. Carr, Director of Finance

F. J. Hortig, Executive Officer  
Fred Kreft, Assistant Executive Officer

OFFICE OF THE ATTORNEY GENERAL:

Mr. Jay L. Shavelson, Deputy Attorney General

APPEARANCES:

Mr. Harold Lingle, Deputy City Attorney, Long Beach

Reporter:

Louise H. Lillico  
Division of Administrative Procedure

# I N D E X

## (IN ACCORDANCE WITH CALENDAR SUMMARY)

| ITEM CLASSIFICATION   | Item on<br>Calendar | Page of<br>Calendar | Page of<br>Transcript |
|---|---------------------|---------------------|-----------------------|
| 1 Confirmation of minutes<br>meeting June 23, 1960          |                     |                     | 1                     |
| 2 <u>Permits, easements, leases,<br/>rights-of-way, fee</u> |                     |                     |                       |
| (a) Cal-West Aviation, Inc.                                 | 12                  | 1                   | 1                     |
| (b) Pacific Gas & Electric                                  | 6                   | 3                   | 2                     |
| (c) Pacific Gas & Electric                                  | 7                   | 4                   | 2                     |
| (d) Van Horn, James Morse                                   | 16                  | 5                   | 2                     |
| 3 <u>City of Long Beach Projects</u>                        |                     |                     |                       |
| (a) Pier A - Diversion Dike                                 | 10                  | 7                   | 2                     |
| (b) Pier A - Berths 1 & 2, etc                              | 10                  | 7                   | 3                     |
| (c) Back Areas, Piers A-D, etc                              | 10                  | 7                   | 3                     |
| (d) Town Lot  | 10                  | 7                   | 3                     |
| 4 <u>Sales of Vacant State School Land</u>                  |                     |                     |                       |
| (a) Bennett, John E.  | 26                  | 11                  | 6-7                   |
| (b) Kaderabek, Joseph T.                                    | 21                  | 12                  |                       |
| (c) Mednick, Ben-Richard                                    | 22                  | 13                  |                       |
| (d) Meltzer, Jacob  | 20                  | 14                  |                       |
| (e) Mobley, Theodore G.                                     | 24                  | 15                  |                       |
| (f) Pasadena Christ. School                                 | 27                  | 16                  |                       |
| (g) Pytel, John J.  | 23                  | 17                  |                       |
| (h) Weikel, Karl F.   | 25                  | 18                  |                       |

- continued -

I N D E X  
(IN ACCORDANCE WITH CALENDAR SUMMARY)  
continued

| ITEM CLASSIFICATION  | Item on<br>Calendar | Page of<br>Calendar | Page of<br>Transcript |
|--|---------------------|---------------------|-----------------------|
| 5 Allowance of request of<br>Martin Ellerman to withdraw<br>purchase application 640<br>acres under Salton Sea, etc                            | 28                  | 19                  | 7                     |
| 6 Selection of 640 acres of<br>vacant Federal lands San<br>Bernardino County (George<br>McCarthy applic. withdrawn)                            | 2                   | 21                  | 9                     |
| 7 Approval of cancellation<br>application Herman H. Hobi &<br>selection 120 acres vacant<br>Federal land, Mendoc. County                       | 18                  | 22                  | 9                     |
| 8 Withdrawal from public sale<br>80 acres vacant school land<br>Yolo County and rejection<br>application Robert G. West                        | 17                  | 24                  | 10                    |
| 9 Authorization publication of<br>notice of intent to consider<br>lease offers for extraction<br>oil and gas 2,560 T&S lands<br>Ventura County | 15                  | 26                  | 11                    |
| 10 Authorization to issue ser-<br>vice agreements Keplinger &<br>Wanemacher and Kaveler  | 14                  | 28                  | 12                    |
| 11 Authorization to execute<br>compensatory royalty agreement<br>Franco Western Oil & Arthur A.<br>Cameron                                     | 13                  | 29                  | 15                    |
| 12 Authorization to recommend<br>to State Board of Control<br>approval claim City of<br>Sausalito  | 11                  | 31                  | 19                    |
| 13 <u>Approval of Maps</u><br>(a) Santa Barbara Channel<br>(b) Monterey Bay<br>(c) City of Chula Vista   | 3<br>4<br>19        | 33<br>34<br>35      | 21<br>21<br>21        |

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I N D E X  
(IN ACCORDANCE WITH CALENDAR SUMMARY)  
continued

| ITEM CLASSIFICATION  | Item on<br>Calendar | Page of<br>Calendar | Page of<br>Transcript |
|--|---------------------|---------------------|-----------------------|
| 14 Authorization execute<br>service agreement with San<br>Mateo County Harbor Dist.                                | 8                   | 36                  | 22                    |
| 15 Authority to report question<br>of grant to City of Coronado<br>to appropriate legislative<br>interim committee | 5                   | 37                  | 22                    |
| MOTION on Item Class. 15 - 30  |                     |                     |                       |
| 16 Confirmation of transactions<br><u>consummated by Exec. Officer</u>   |                     |                     | 30                    |
| Blair, Howard  |                     | 40                  |                       |
| Helmers, Nancy H.  |                     | 39                  |                       |
| Standard Oil of California   |                     | 39                  |                       |
| Tanner, S. A.  |                     | 38                  |                       |
| 17 Report on status of major<br>litigation   | 29                  | 41                  | 30                    |
| 18 Confirmation of next meeting  |                     |                     | 30                    |

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1 MR. CRANSTON: The meeting will please come to  
2 order. First item on the agenda is confirmation of the  
3 minutes of June 23, 1960.

4 GOV. ANDERSON: I move their approval.

5 MR. CARR: Second.

6 MR. CRANSTON: Moved and seconded, so ordered  
7 that they are approved. We then come to Classification 2 --  
8 permits, easements, leases, and rights-of-way issued pursuant  
9 to statutes and established rental policies of the Commission.  
10 First is Cal-West Aviation, Inc.

11 MR. HORTIG: Mr. Chairman, while this is a proposed  
12 operation completely as identified on the calendar summary,  
13 pursuant to statutes and established rental policies of the  
14 Commission, in view of the fact that it involves proposed  
15 dredging on tide and submerged lands of the State of Cali-  
16 fornia in Steinberger Slough, San Mateo County -- which  
17 borders on the nature of material removal which the Commis-  
18 sion considered at length at the last Commission meeting --  
19 I did want to amplify in brief detail with respect to the  
20 nature of this operation.

21 The proposal is to develop the recently acquired  
22 San Carlos Airport property. The majority of the development  
23 proposed will be on privately owned uplands. As an adjunct  
24 to this development, it is proposed to establish a marina  
25 and boat landing facilities and even a ferry slip, which will  
26 be primarily located on privately owned uplands. However,

1 there would be approximately 9.32 acres of State tide and  
2 submerged lands involved, but the material which would be  
3 removed would be removed primarily and almost solely for the  
4 purpose of improving navigation. Having removed it, there  
5 must be a place to put it; and this material, which would be  
6 low grade fill material, would be spread for the benefit of  
7 the project. This is not a removal of excellent construction  
8 material from San Francisco Bay per se, but the operations are  
9 for the improvement of navigation in Steinberger Slough as an  
10 adjunct to the development of the adjoining privately owned  
11 land. The entire project has the approval of the San Mateo  
12 Planning Commission and I did want to make the distinction as  
13 to the difference between this operation and as to those  
14 considered at the last meeting.

15 MR. CRANSTON: Item (b) - Pacific Gas and Electric  
16 Company. If there is no comment on it -- Item (c), Pacific  
17 Gas and Electric Company; item (d), Van Horn, James Morse.  
18 That concludes the ....

19 GOV. ANDERSON: I move their approval.

20 MR. CARR: Second.

21 MR. CRANSTON: If there is no objection, it will be  
22 unanimously so ordered and "2" is approved.

23 Item Classification 3 -- City of Long Beach Projects:  
24 Item (a) is Pier A - Diversion Dike, Remedial Work, second  
25 phase.

26 MR. HORTIG: As the Commissioners will recall, from

1 the terminology "second phase" it is now proposed that based  
2 on subproject estimates there be approved a possible total  
3 expenditure of \$371,000, with \$74,200 of that amount estimated  
4 as possible subsidence costs -- the preliminary engineering  
5 work and completion of these estimates having been completed  
6 under the first phase previously approved by the Commission.

7 MR. CRANSTON: Item (b) is Pier A - Berths 1 and  
8 2, Transit Shed Roof and Wall Coatings, second phase.

9 MR. HORTIG: Procedurally this is an identical situa-  
10 tion with the previous one. The geographical location and  
11 the work to be performed are the only differences.

12 MR. CRANSTON: Item (c) - Back Areas, Piers A to D,  
13 Miscellaneous Work.

14 MR. HORTIG: This is, again, a continuation of a  
15 general project heretofore approved by the State Lands Commis-  
16 sion, with the standard limitations on all of these items being  
17 presented here this morning with respect to the City of Long  
18 Beach projects that the amount of subsidence allowance to be  
19 permitted ultimately in fact will be determined by a final  
20 engineering review and audit after the work is completed and  
21 the exact nature of all the expenditures can be clearly  
22 identified.

23 MR. CRANSTON: Item (d) is Town Lot - Property  
24 Purchase, Area 4, Increase in Parcel 39, etcetera.

25 MR. HORTIG: This, again, would be included under the  
26 remarks I just made for the preceding item.

1 MR. CRANSTON: Motion is in order to approve the  
2 item.

3 GOV. ANDERSON: I'll move approval.

4 MR. CARR: Second.

5 MR. CRANSTON: The item is unanimously approved.

6 GOV. ANDERSON: Before we leave Long Beach, I'd like  
7 to have Mr. Carr briefly review for the record the letter re-  
8 ceived from the Navy. I thought this would be a good time to  
9 do it, before the Long Beach people leave.

10 MR. HORTIG: If I may state, unless you have spoken  
11 to Mr. Carr or the Chairman with respect to the meeting this  
12 week, if the gentlemen are not informed of it, I had asked  
13 the gentlemen for a brief period after this meeting to review  
14 that meeting with them.

15 MR. CRANSTON: Item 4 -- Sales of vacant State  
16 school lands.

17 MR. HORTIG: Mr. Chairman, before considering the  
18 items which appear on pages 11 through 18 of the calendar, I  
19 wish to report to the Commission that all of the proposed  
20 sales of vacant State school lands here reported are recommended  
21 sales in final processing of previously pending applications  
22 to purchase.

23 As the Commissioners will recall, at the May meeting  
24 a moratorium was adopted on further sales of State school  
25 lands pending determination of a future policy for the disposi-  
26 tion of such lands. From the moratorium there were excepted

1 those pending valid applications which were pending on the  
2 date of the moratorium.

3 The calendar items being presented here this morning  
4 are the first of the series of about to be completed applica-  
5 tions which were pending. The proposed sales have all been  
6 screened by twenty-six State agencies who have land acquisi-  
7 tion programs. None of these agencies indicated any affirma-  
8 tive interest in the specific parcels being considered this  
9 morning. The Division of Highways did report back that they  
10 were definitely interested in the practice of being able to  
11 screen these sales and definitely commended the Commission for  
12 this practice.

13 This introductory statement this morning will be  
14 summarized and be included as part of future calendar items  
15 and, therefore, will not be repeated in the future; but  
16 starting this morning and until directed further by the Com-  
17 mission, all land sales items which are being brought to the  
18 Commission will have previously been screened and determined  
19 to not be of any interest on the part of any other State agency  
20 having a land acquisition program.

21 MR. CRANSTON: Is the present status of the mora-  
22 torium that applications go through that process and then they  
23 will continue to come before the Commission?

24 MR. HORTIG: To the point of extinction of the  
25 applications that were pending at the date of the moratorium.

26 MR. CRANSTON: Where do we stand on new ones?

1 MR. HORTIG: No new applications have been accepted  
2 since the date of the moratorium.

3 MR. CARR: Mr. Chairman, may I ask how many remain  
4 to be processed?

5 MR. HORTIG: In round numbers, Mr. Carr, between  
6 ninety and one hundred.

7 MR. CRANSTON: What is there to be done in terms of  
8 under what terms we will lift the moratorium?

9 MR. HORTIG: A staff report for consideration by  
10 the Commission after completion of the basic mechanics for  
11 classification and indexing -- an element of which is the  
12 mechanical situation of the possibility of setting up elec-  
13 tronic data processing equipment for handling the voluminous  
14 records, which is under active study by the Division of Cost  
15 Control of the Department of Finance.

16 MR. CRANSTON: When will the basic study come to us --  
17 not the complete study, but the study on processing?

18 MR. HORTIG: We have heretofore estimated for the  
19 general public, and this is still valid and not definite,  
20 I would presume six months.

21 MR. CRANSTON: Would this moratorium continue six  
22 months, then?

23 MR. HORTIG: Yes sir.

24 MR. CRANSTON: Going now, then, to the sales before  
25 us for approval at this time: Item (a) is John E. Bennett -  
26 if there is no comment we will go on down the list -- Item

(b) Joseph T. Kaderabek; Item (c) Ben and Richard Mednick;

7  
1 Item (d) - Jacob Meltzer; Item (e) - Theodore G. Mobley;  
2 Item (f) - Pasadena Christian School, Incorporated; Item (g) -  
3 John J. Pytel; Item (h) - Karl F. Weikel. That concludes the  
4 items before us under Item Classification 4 and a motion is  
5 in order.

6 MR. CARR: Move the approval.

7 GOV. ANDERSON: Second.

8 MR. CRANSTON: It has been moved and seconded and  
9 unanimously so ordered that they be approved.

10 Now we come to other miscellaneous items: Number 5 --  
11 Allowance of request of Martin Ellerman to withdraw purchase  
12 application covering 640 acres underlying the Salton Sea in  
13 Imperial County and approval of refund of deposits; rescission  
14 of Minute Item 18 of 12/17/59; approval of sale of subject  
15 land to Imperial Irrigation District at market value.

16 MR. HORTIG: Mr. Chairman, this has been the most  
17 difficult processing for the sale of a piece of vacant school  
18 land which the State Lands Commission ever sold. As you will  
19 recall, on December 17, 1959 there was authorized the sale of  
20 640 acres of land, vacant State school land inundated as a  
21 result of the flood on Salton Sea. Questions as to the higher  
22 possible public use for these lands, rather than conveyance  
23 into private ownership, were investigated at the request of  
24 the Director of Finance; also the question of whether there  
25 might be any liability on the State or creation of liability  
26 on other agencies by reason of this sale in the event that

1 private lands in the future were found to have had the water  
2 level of them raised or lowered, were reviewed by the Office  
3 of the Attorney General. A series of protective restrictions  
4 were recommended by the Office of the Attorney General to be  
5 included in the patent to be issued in completing the sale  
6 authorized by the Commission.

7           After reviewing the restrictions which would be  
8 included in the patent, the applicant requested that he be  
9 permitted to withdraw his application in view of the fact that  
10 he had not understood that there would be all of these condi-  
11 tions to a sale, which assertion is completely factual; and,  
12 therefore, it is recommended that the Commission authorize the  
13 Executive Officer to permit the withdrawal of the application,  
14 retain the title to the lands in the State, refund the deposits  
15 heretofore made by the applicant; and, additionally, in conson-  
16 ance with another approval by the Commission, to authorize sale  
17 of these lands under the Salton Sea to the Imperial Irrigation  
18 District in addition to the lands that would be made available  
19 for purchase by the Imperial Irrigation District at market  
20 value, if the Commission so approves and if an offer is received,  
21 in fact, by the Commission from the Imperial Irrigation District.

22           MR. CARR: Do you want to take these up separately?  
23 I move the approval of all four.

24           MR. CRANSTON: Which four?

25           MR. CARR: These four steps -- steps 1 and 2 and  
26 steps 1 and 2 in the second recommendation.

1 GOV. ANDERSON: Yes.

2 MR. CRANSTON: It has been moved and seconded to  
3 approve the steps in the recommendation ....

4 MR. CARR: Move the recommendation.

5 GOV. ANDERSON: I'll second it.

6 MR. CRANSTON: Unanimously so ordered.

7 Item 6 is selection on behalf of the State of 640  
8 acres of vacant Federal lands in San Bernardino County.  
9 George McCarthy, applicant, does not desire to proceed with  
10 the acquisition of these lands.

11 MR. HORTIG: And in terms of expedition, it would  
12 be recommended, Mr. Chairman, that Item 7 also be considered  
13 concurrently, which is of a similar nature, for cancellation  
14 of an application pursuant to the request of the applicant  
15 and the selection of vacant Federal lands in Mendocino County --  
16 these lands to go on the vacant land list of the Lands Commis-  
17 sion, to be disposed of in accordance with the future deter-  
18 mined policy of the Commission.

19 MR. CARR: I move these.

20 MR. CRANSTON: Items 6 and 7 ?

21 GOV. ANDERSON: Second.

22 MR. CARR: I'd like to ask one question of Mr. Hortig.  
23 Would this go to the credit of the 200,000 more or less odd  
24 acres that the Federal government owes the State of California?

25 MR. HORTIG: Yes sir.

26 MR. CRANSTON: It has been moved and seconded and

1 unanimously approved on Items 6 and 7.

2 Item 8 is withdrawal from public sale of 80 acres of  
3 vacant school lands, Yolo County, on behalf of Yolo County  
4 Flood Control and Water Conservation District; rejection of  
5 purchase application of Robert G. West.

6 MR. HORTIG: The State Lands Division had under  
7 consideration and processing an application to purchase a  
8 specified forty acres of vacant State school land in Yolo  
9 County, when there was received from the attorneys on behalf  
10 of Yolo County Flood Control and Water Conservation District  
11 request that these lands be withheld from public sale pending  
12 the determination of feasibility of a water development project  
13 in the Cache Creek watershed.

14 Therefore, again in conformance with the Commission  
15 policy to have vacant State school lands screened for their  
16 greater public value, it is recommended that the application  
17 to purchase from Mr. Robert G. West be cancelled; that Mr.  
18 West's deposits be returned; and that the specified lands be  
19 earmarked as being held for possible disposition to the Yolo  
20 County Flood Control and Water Conservation District as soon  
21 as the study program for the area with respect to water con-  
22 servation and water development is completed.

23 GOV. ANDERSON: I'll move it.

24 MR. CARR: Second.

25 MR. CRANSTON: Moved and seconded, unanimously  
26 approved.

1 MR. CRANSTON (continuing) Item 9 is authorization  
2 for publication of notice of intent to consider offering  
3 leases for extraction of oil and gas from approximately 2,560  
4 acres T & S lands, Ventura County.

5 MR. HORTIG: Action on the item which appears on  
6 calendar page 27 was withheld from Commission consideration  
7 at the May meeting at the request of the Controller, to permit  
8 staff conference with officials of the City of Oxnard, who  
9 have annexed and propose annexing areas adjoining the areas  
10 herein proposed for lease. Such conferences were held. The  
11 procedure required by statute for potential lease offer is  
12 understood by the Oxnard city and Ventura county officials  
13 and they have indicated that compliance with such procedure  
14 would meet all their requirements locally.

15 Therefore, it is recommended that the Commission  
16 authorize the Executive Officer to proceed with the publica-  
17 tion of a notice as required by the statutes, which would  
18 result in an opportunity for the City of Oxnard and the County  
19 of Ventura to request that a public hearing be held with  
20 respect to the bases under which the Commission might consider  
21 to offer the specified tidelands for lease in Ventura County  
22 and which are being recommended for consideration for lease  
23 because there is drainage, or threat of drainage, of oil and  
24 gas from beneath these unleased State tide and submerged lands.

25 GOV. ANDERSON: I move it.

26 MR. CARR: Second.

1 MR. CRANSTON: Item 9 approval has been moved and  
2 seconded and is unanimously adopted.

3 Item 10 -- Authorization to issue service agreements  
4 to Keplinger and Wanenmacher and to Dr. Herman H. Kaveler, at  
5 cost not to exceed \$4,000 each for consulting services during  
6 1960-61 fiscal year in connection with oil and gas leasing.

7 MR. HORTIG: The item is presented to the Commission  
8 for approval because the respective contracts exceed the  
9 \$2,000 per contract ceiling which the Executive Officer is  
10 authorized to undertake without further authorization by the  
11 Commission.

12 As recited, the particular group of consultants for  
13 potential consulting service to the Commission have been under  
14 retainer by the Commission for several years. They were used  
15 in 1958. They were not used by the Commission during 1959,  
16 although we had a contract under which their services would be  
17 available to the Commission if so desired.

18 In anticipation of the possibility that the Commis-  
19 sion might wish consulting services and to have them readily  
20 available without the necessity of having to undertake the  
21 procedural requirements which require approval by the Depart-  
22 ment of Finance and the State Personnel Board for employment  
23 of consultants and so forth; in order to, in effect, have  
24 consultants on call for the Commission but without calling  
25 them, these service contracts are presented for approval.

26 GOV. ANDERSON: These men -- we have never used them

1 as far as this present Commission were concerned?

2 MR. HORTIG: No sir.

3 GOV. ANDERSON: Do they ever work with the Division  
4 themselves?

5 MR. HORTIG: No sir, they never have. They have been  
6 used only by the Commission as consultants to the State Lands  
7 Commission .

8 GOV. ANDERSON: How long have these fellows been on  
9 a retainer by the State?

10 MR. HORTIG: Since 1957. "Retainer" is possibly a  
11 misnomer. They have signed service contracts to be available.  
12 There is no service fee involved.

13 GOV. ANDERSON: Now, for the year '59 their services  
14 were not used but they each received \$4,000?

15 MR. HORTIG: No sir. They received nothing.

16 GOV. ANDERSON: In other words, this is a maximum  
17 figure. Unless you use them, they receive no pay?

18 MR. HORTIG: That's right.

19 GOV. ANDERSON: And the last time you used them was  
20 1958?

21 MR. HORTIG: Yes sir.

22 MR. CRANSTON: All of this is set up for the possi-  
23 bility we wish to use them?

24 MR. HORTIG: To have them on call if the Commission  
25 wishes to call them.

26 GOV. ANDERSON: Who are these men? Are they pretty

1 well recognized?

2 MR. HORTIG: They are of national and international  
3 repute. They were selected by the prior Commission after a  
4 screening of available out-of-state consultants uncommitted  
5 specifically to California petroleum industry and they have  
6 achieved, as I say, both national and international reputation -  
7 not only in the engineering phases but more particularly in  
8 the business administration and economic phases of govern-  
9 mental oil and gas leasing, having served as consultants to  
10 other states and other national governments.

11 GOV. ANDERSON: These are all out-of-state men?

12 MR. HORTIG: Yes, all from Tulsa, Oklahoma.

13 GOV. ANDERSON: All three of them?

14 MR. HORTIG: Yes sir.

15 GOV. ANDERSON: Are they in private industry?

16 MR. HORTIG: No sir, they are independent consultants.

17 MR. CRANSTON: This action would have to preclude  
18 our turning to others if we wish to do so?

19 MR. HORTIG: No sir. It would merely mean you would  
20 at that time have the staff undertake a similar contract with  
21 other consultants.

22 MR. CRANSTON: It seems to me to be the thing to do  
23 at this time. Is there a motion at this time to that effect?

24 GOV. ANDERSON: I'll move it ....

25 MR. CARR: Second.

26 GOV. ANDERSON: ... unless there is any question

1 about it. This is the first time I have heard about it.

2 MR. CRANSTON: Approval of Item 10 is moved and  
3 seconded, unanimously adopted.

4 Item 11 -- Authorization to execute compensatory  
5 royalty agreement with Franco Western Oil Company and Arthur  
6 A. Cameron, d.b.a. Cameron Oil Company, for State's interest  
7 in lands in the bed of the Sacramento River, Sutter and Colusa  
8 counties.

9 MR. HORTIG: The State Lands Commission has in  
10 existence numerous compensatory royalty agreements which are  
11 authorized under Section 6815 of the Public Resources Code,  
12 but this is actually the first one that has been brought for  
13 consideration to the present Commission; and the purpose of a  
14 compensatory royalty agreement, rather than offering State  
15 lands for lease, stems from the fact that with a poorly  
16 distributed, geographically poorly distributed, tortuous  
17 channel of a river or abandoned river as we have involved in  
18 the matter under consideration here, nominally good leases  
19 cannot be achieved and good lease bids cannot be achieved.

20 Additionally, there is at least an equitable burden  
21 upon the State Lands Commission to try to restrain operations  
22 so that they are conducted properly in accordance with estab-  
23 lished oil field practice, and the placing of numerous wells on  
24 a rather narrow strip of land could create offset drilling  
25 operations and could require simply by contract a number of  
26 wells that are not economically justified and not justified in

1 properly developing the oil and gas reservoir.

2           Therefore, the Legislature has provided for such  
3 a situation the option to the Commission that when wells  
4 appear to be draining from lands owned by the State, the Com-  
5 mission may enter into agreements with the owners of such  
6 private lands for the payment of compensation to the State for  
7 such drainage.

8           Cameron Oil Company has completed and drilled a  
9 producible well and it will drain gas -- as soon as it is  
10 connected to a delivery line, it will drain gas from the  
11 adjoining State lands under the Sacramento River. It is  
12 therefore, recommended that a compensatory oil agreement, as  
13 offered by Cameron Oil Company and Franco Western Oil Company,  
14 which would pay the State a royalty on all gas calculated as  
15 being drained from the State lands, be issued -- which would  
16 provide to the State 16-2/3 percent of the value of all gas  
17 drained from State lands.

18           GOV. ANDERSON: Whereabouts is this?

19           MR. HORTIG: In southern Colusa County. It is in  
20 the so-called Grimes area on the upper Sacramento River.

21           GOV. ANDERSON: No better area direction than that?

22           MR. HORTIG: Yes, by map. (To Mr. Kreft) Would you  
23 take that to the Governor, please? (Mr. Kreft took map to  
24 Governor and explained location)

25           GOV. ANDERSON: Is this the first agreement we have  
26 drawn up?

1 MR. HORTIG: That this Commission has considered.  
2 We have many in existence as a matter of contract issued  
3 previously; notably Whiskey Slough, the tortuous channel of  
4 the Mokelumne River, the Thornton Gas Field, Kirby Hill are  
5 all under compensatory royalty agreements.

6 MR. CARR: Mr. Chairman, I'd like to ask Mr. Hortig  
7 a couple questions. My understanding is in this particular  
8 case that to lease the State lands would raise a definite  
9 problem on drillsites and that sort of thing, is that correct?

10 MR. HORTIG: That is correct.

11 MR. CARR: And in arriving at this royalty figure  
12 of 16-2/3 percent, what are the economics of the situation?

13 MR. HORTIG: The fact that all the adjoining upland  
14 lessees, who actually have large acreages compared to the  
15 State Lands that would be involved and even possibly more  
16 favorably situated geologically, but as a minimum more favor-  
17 ably situated geographically and therefore drillsites are no  
18 problem on such lands, none of these lessees are receiving  
19 more than 16-2/3 percent royalty being offered under this  
20 compensatory royalty agreement.

21 MR. CARR: What is determining the equities here as  
22 to how much gas is going to be extracted?

23 MR. HORTIG: This is done by simple geometry. After  
24 having evaluated the probable drainage area of a well, which  
25 in this case has been determined to be 320 acres, a 320-acre  
26 circle is circumscribed about each producing well.

1           Incidentally, and particularly for Governor  
2 Anderson's benefit, such a compensatory royalty agreement  
3 would prohibit the drilling of any well into State lands.  
4 The gas must be taken from wells drilled on privately owned  
5 or lands adjoining State lands.

6           After circumscribing the 320-acre circle about a  
7 well drilled on privately owned lands, if any portion of that  
8 circle intersects the limits of the Sacramento River, then  
9 the State would receive royalty on that portion of the total  
10 gas produced from that well that the portion of the circle  
11 that circumvents the Sacramento River bears to the total  
12 production.

13           MR. CARR: Do I understand this is the first pro-  
14 ducing well in this area?

15           MR. HORTIG: That is correct.

16           MR. CARR: And what is the next nearest producing  
17 well?

18           MR. HORTIG: Mr. Kreft can show you on the map.  
19 (Mr. Kreft indicates location on map)

20           MR. CARR: In this particular case, this area here  
21 is intersected by both circles. How do you determine that?

22           MR. HORTIG: You circumscribe that.

23           MR. CARR: Suppose these were two different lessees?

24           MR. HORTIG: You still prorate between the two, Mr.  
25 Carr.

26           MR. CARR: What is the anticipated pattern in here?

1 What will be the well spacing in there? There's only two  
2 wells in there.

3 MR. HORTIG: Probably 320 acres, Mr. Carr; one  
4 well to 320 acres.

5 MR. KREFT: 660 for gas.

6 MR. HORTIG: I might point out that in lieu of any  
7 such a compensatory royalty agreement, while the Commission  
8 might consider -- if there were more favorable acreage for  
9 lease offer than there here is -- that in the interim, having  
10 not approved a compensatory royalty agreement, these operators  
11 would be completely within their legal rights to produce all  
12 the gas and drain the State's land without compensation to the  
13 State, and the State would lose ....

14 MR. CARR: What happens if, in the development of  
15 this field, it would appear to these geologists that they would  
16 like to bottom a well under the river? Is there a possibility  
17 of that?

18 MR. HORTIG: Then they would have to demonstrate to  
19 the Commission that a commercially valuable volume of oil and  
20 gas exists within the State land and ask that the area be put  
21 up for lease on competitive bid.

22 GOV. ANDERSON: I move it.

23 MR. CARR: Second.

24 MR. CRANSTON: Approval is moved, seconded and  
25 unanimously adopted.

26 Item 12 -- Authorization to recommend to State

1 Board of Control a claim on behalf of City of Sausalito in  
2 the amount of \$837.68, representing rentals collected by State  
3 and now properly payable to the City of Sausalito.

4 MR. HORTIG: In summary, Mr. Chairman, the Commis-  
5 sion had leased tidelands fronting on the City of Sausalito.  
6 Subsequently, and while the lease was still in full force and  
7 effect, the Legislature granted the tidelands to the City of  
8 Sausalito. It was assumed, in view of the fact that the  
9 language of the granting statute did not specifically transfer  
10 the existing lease to the City of Sausalito, that this con-  
11 tract would run until its termination date, and the State Lands  
12 Commission continued to collect the rental.

13 Finally, all attorneys involved, including the  
14 Office of the Attorney General, have come to the conclusion  
15 that the City of Sausalito is entitled to the payments of  
16 rental from the date of the legislative grant. These have  
17 been heretofore collected by State Lands Commission and put  
18 in the State Lands Act Fund and distributed in accordance with  
19 the statute. Therefore, there are no funds by which the  
20 Lands Commission could make a refund directly to the City of  
21 Sausalito and it is, therefore, recommended that the Commission  
22 authorize the Executive Officer to report approval to the  
23 State Board of Control on behalf of the State Lands Commission,  
24 in accordance with the legal findings of the Office of the  
25 Attorney General, if the City of Sausalito files such a claim  
26 with the State Board of Control.

1 MR. CARR: Moved.

2 GOV. ANDERSON: Second.

3 MR. CRANSTON: Moved and seconded and unanimously  
4 adopted.

5 Item 13 -- Approval of Maps: (a) Survey of the  
6 Mean High Tide Line Along the Shore of Santa Barbara Channel,  
7 Santa Barbara County, California dated February, March and  
8 April 1958; (b) Survey of the Mean High Tide Line Along the  
9 Shore of Monterey Bay, Vicinity of Santa Cruz, Santa Cruz  
10 County, dated April to May 1959; (c) Map of the Grant to the  
11 City of Chula Vista, Vicinity of San Diego Bay, San Diego County  
12 dated October 1959.

13 MR. HORTIG: The first two items, Mr. Chairman --  
14 As the Commission will recall, the survey activities of the  
15 State Lands Division are being concentrated on accomplishing  
16 record surveys to locate definitively the boundary of State  
17 lands, particularly in those areas where artificial conditions --  
18 construction, etcetera, as at Santa Cruz, where the U. S. Army  
19 Engineers propose to put a series of jetties for shore protec-  
20 tion -- to be sure that the boundary of State lands, which  
21 will be obscured by artificial changes, will be of record and  
22 recorded in the county in which the land is located.

23 This is the basic purpose for the maps (a) and (b)  
24 relating to Santa Barbara Channel and Monterey Bay, Santa  
25 Cruz.

26 Item (c) represents approval of a completed series

1 of maps which were required by the Legislature to be completed  
2 by the State Lands Commission to define a grant to the City  
3 of Chula Vista. This last series of maps were undertaken under  
4 a service agreement, under which the City of Chula Vista reim-  
5 burses the Commission for its actual cost in making this  
6 survey.

7 GOV. ANDERSON: I'll move it.

8 MR. CARR: Second.

9 MR. CRANSTON: Moved and seconded, unanimously  
10 adopted.

11 Item 14 -- Authorization to execute a service agree-  
12 ment with the San Mateo County Harbor District, County of  
13 San Mateo, providing for surveying services to be rendered the  
14 Harbor District, pursuant to Chapter 68/60, at a cost not to  
15 exceed \$12,000.

16 MR. HORTIG: As just outlined and completed for the  
17 City of Chula Vista, with the San Mateo Harbor District we  
18 are at the beginning of complying with the statutory condition  
19 that the Lands Commission survey the boundary line of the  
20 tide and submerged lands granted to the County of San Mateo.

21 GOV. ANDERSON: I'll move it.

22 MR. CARR: Second.

23 MR. CRANSTON: Moved and seconded, unanimously  
24 adopted.

25 Item 15 -- Authority for question relating to the  
26 validity of the grant to the City of Coronado, Chapter 1839/53,

1 to be reported to appropriate Legislative Interim Committee  
2 for study and action, if any, that such legislative body deems  
3 advisable.

4 MR. HORTIG: Mr. Chairman, the Legislature, as  
5 appears on page 37 of your calendar, has made various legis-  
6 lative grants of tide and submerged lands to the City of  
7 Coronado. One of those grants, specifically Chapter 1839,  
8 Statutes of 1953, fails to express consideration for the  
9 grant. The State Lands Commission has previously asked the  
10 informal opinion of the Office of the Attorney General as to  
11 the validity or constitutionality of this statute and you  
12 gentlemen have a copy of that opinion attached to your calendar.

13 The Office of the Attorney General has indicated  
14 that there is an element of doubt and it is possible the  
15 grant may be defective legally.

16 The Legislature has expressed its intention to have  
17 the involved lands released from the tidelands trust. The  
18 question of constitutionality is not ordinarily within the  
19 purview of the State Lands Commission. It is the Commission's  
20 function, wherever possible, to effectuate legislative intent.

21 Therefore, it is recommended that the question of  
22 the validity of the grant to the City of Coronado, Chapter  
23 1839, Statutes of 1953, be reported to the appropriate legis-  
24 lative interim committee for such study and action, if any,  
25 that such legislative body deems advisable.

26 Before action by the Commission, I have this morning

1 received the following telegram relative to this item, which  
2 I would wish to read into the record:

3 (Addressed to the State Lands Commission)

4 "As a California taxpayer resident of California  
5 since 1940 and property owner taxpayer of  
6 Coronado since 1946 I demand that the Lands  
7 Commission report the matter of the grant to  
8 the City of Coronado to the appropriate legis-  
9 lative interim committee. I regard this grant  
10 of tide and submerged land to the City of  
11 Coronado and the subsequent gift of this land  
12 to a private and exclusive organization an  
13 unjustifiable precedent establishing violation  
14 of the statutes of the State of California  
15 further. Again request that the use of other  
16 tide and submerged land for 14 story apartment  
17 buildings as opposed to the uses prescribed by  
18 the statutes be denied as I have many times  
19 previously requested.

20 Mrs. John G. Thompson"

21 GOV. ANDERSON: What is the appropriate legislative  
22 committee?

23 MR. HORTIG: On this I would call upon you, Governor,  
24 for expert advice as President of the Senate for suggestions  
25 as to the selection of the appropriate committee.

26 GOV. ANDERSON: You haven't discussed it with  
Senate Rules?

MR. HORTIG: No sir. I would have expected to  
follow through with Senate Rules after further conference  
with you and other members of the Commission.

MR. CRANSTON: It seems to me we should at least  
consider another course of action, because, as it is stated  
here, "It is the Commission's function .... to effectuate

1 legislative intent." It is also our rule to abide by the  
2 Constitution and also get legal opinion from the Attorney  
3 General's office; and the Attorney General's report here  
4 first calls attention to the numerous complaints we and they  
5 have received, of which this is only one of many.

6 I think, to go further, they raise an element of  
7 doubt on this. One explicit statement on page 3:

8 "In our opinion the 1953 'release' statute  
9 probably is violative of Article IV, Sec-  
10 tion 31 of the Constitution of the State  
of California, prohibiting the gift of  
public property."

11 It states on page 4:

12 "As concerns the agreement between the City  
13 and the Coronado Woman's Club, in our opinion  
14 it constitutes a gift of a 40-year leasehold  
and, as such, also runs afoul of Article IV  
of Section 31 of the Constitution, there  
being no public benefit sufficient to con-  
15 stitute the required consideration."

16 Various relevant cases have been cited. One is,  
17 on page 5, in case City & County of San Francisco v. Ross,  
18 "the Supreme Court found no public purpose was present where  
19 insufficient controls were retained by a municipality in the  
20 acquisition and leasing of property for a parking lot."

21 It goes on to state:

22 "Even assuming that the operation of a woman's  
23 club is of itself not inconsistent with the  
trust for navigation, commerce and fisheries,  
24 nonetheless the lease here fails to embrace  
the principles enunciated in the above-cited  
25 decisions. The lessee is unfettered by  
controls sufficient to enable the city to see  
26 to it that the property is being devoted to  
a public use."

1 In conclusion, the Attorney General's report  
2 states:

3 "We believe it is a question of policy, to  
4 be decided by the Commission, as to whether  
5 the State should institute a suit at this  
6 time, for the dual purpose of ascertaining  
7 the effect of the 1953 'release' statute and  
8 challenging the validity of the lease."

9 It goes on to say that:

10 "... after being advised hereof, the City  
11 and the Woman's Club will see fit to re-  
12 negotiate the said lease so that its pro-  
13 visions will satisfy the criteria laid  
14 down..."

15 and cites various cases.

16 The concluding paragraph:

17 "We have not attempted to recommend a  
18 definite course of action. In view of  
19 the public discussion which has developed,  
20 it is suggested that copies of this memo-  
21 randum be made available to the officials  
22 of the City of Coronado and to interested  
23 citizens so that they may take such steps  
24 as they desire."

25 Has that been done? Have copies of this opinion  
26 gone forward?

MR. HORTIG: I am specifically aware that the copy  
has gone to the City Attorney of the City of Coronado. The  
problem has also been discussed at length, Mr. Chairman, as  
you know, by the staff with Mrs. John G. Thompson in all its  
facets.

GOV. ANDERSON: Who is Mrs. John G. Thompson?

MR. HORTIG: A California taxpayer and property  
owner in Coronado since 1940.

1 GOV. ANDERSON: I mean, has she been involved in  
2 this particular case?

3 MR. HORTIG: She has objected continuously and  
4 specifically with respect to this particular Coronado question,  
5 which primarily, again, for the staff gave the problem that  
6 in the first instance there are many legal problems involved  
7 which, again, are not strictly within the purview and scope  
8 of the normal type of activity of the State Lands Commission;  
9 and when the Attorney General further quoted in the opinion  
10 or stated in the opinion, from which Mr. Cranston just quoted,  
11 that it might be decided as a question of policy by the State  
12 Lands Commission as to whether to sue to find out what these  
13 statutes meant, it occurred to the staff that possibly the  
14 Commission might wish to re-refer this to the legislative body  
15 that drafted this statute, complete with questions, for further  
16 consideration -- rather than to initiate a suit questioning  
17 what Coronado had done.

18 MR. CRANSTON: Could we hear from the Attorney  
19 General on this?

20 MR. SHAVELSON: In this case, although I think the  
21 Chairman is correct that it is definitely the opinion here  
22 that the grant is defective in some way, it isn't too clear  
23 exactly what the Legislature's intent would be in light of  
24 this defectiveness. We have something here that is quite  
25 analogous to what happened in Long Beach in 1951, when the  
26 Legislature terminated the trust as to part of the tideland

1 revenues and the State Supreme Court held that that created a  
2 resulting trust in the State and it is possible that would be  
3 the result here. It is a very analogous situation.

4 On the other hand, it may be desirable to see  
5 whether the Legislature -- in light of the fact that it can't  
6 release these things to the city without consideration,  
7 whether it would prefer demanding a consideration or whether  
8 it really wants these lands to revert to the State of Cali-  
9 fornia. It may be that the Legislature would prefer to make  
10 a new grant for a consideration and it may be that that might  
11 be acceptable to the City of Coronado; and, therefore, the  
12 intent of the Legislature and of the parties could be carried  
13 out in that way and that could conceivably be a better policy  
14 than immediately going in, for example, and ascertain a  
15 resulting trust in the State of California.

16 Our office also feels that we want to carry out  
17 the legislative intent if it is possible and give them a  
18 chance to let us know what that intent is.

19 MR. CRANSTON: What would be the status of the  
20 lease during this time if it would go to a committee?

21 MR. SHAVELSON: Well, if this grant is invalid,  
22 the lease itself is invalid. I think quite clearly if these  
23 lands are still subject to a tidelands trust I don't think  
24 this is a proper tidelands trust purpose.

25 MR. CRANSTON: Until it is determined by further  
26 legislative action, this is simply a situation with a cloud  
over it?

1 MR. SHAVELSON: Yes sir.

2 MR. CARR: Are there any improvements on that?  
3 What are they?

4 MR. HORTIG: Yes sir -- a woman's club using several  
5 yacht and boathouse facilities.

6 GOV. ANDERSON: Have they been notified of the  
7 cloud?

8 MR. HORTIG: Yes sir -- Coronado?

9 GOV. ANDERSON: I mean the woman's club itself?

10 MR. HORTIG: Well, this was a matter of extensive,  
11 acrimonious, and very vocal debate reported in the Coronado  
12 press as between the proponents and the opponents, as between  
13 the City Commission in Coronado, etcetera.

14 GOV. ANDERSON: So they are on record. There  
15 wouldn't be any further improvements until this is settled?

16 MR. HORTIG: Well, everybody knows there is a  
17 problem and all we are recommending is that the appropriate  
18 authors rectify the problem.

19 MR. CARR: In the meantime, what action has been  
20 taken down there? Do they recognize the problem that they  
21 are not to construct further improvements or are they going  
22 ahead?

23 MR. HORTIG: During the initial debate they con-  
24 structed the woman's clubhouse, which is in. Yes.

25 GOV. ANDERSON: I move the recommendation of the  
26 staff.

1 MR. CARR: Second.

2 MR. CRANSTON: Approval of the staff recommendation  
3 has been moved and seconded, unanimously adopted.

4 Item 16 -- Confirmation of transactions consummated  
5 by the Executive Officer pursuant to authority confirmed by  
6 the Commission at its meeting on October 5, 1959.

7 MR. HORTIG: As reported on pages 38 through 40,  
8 there are presented for Commission confirmation actions  
9 completed by the Executive Officer under delegations of author-  
10 ity, which consisted of approval of the assignment of two  
11 prospecting permits, the assignment of an arksite lease on  
12 Corte Madera Creek in Marin County, the extension of a  
13 geological survey permit, and the issuance of a grazing lease  
14 for which the total rental at the appraised value is \$12.30  
15 per year.

16 MR. CARR: I move it.

17 GOV. ANDERSON: Second.

18 MR. CRANSTON: Approval is moved, seconded, and  
19 unanimously adopted.

20 Item 17 -- Report on status of major litigation --  
21 informative only, no Commission action required.

22 MR. HORTIG: And no special staff comments, Mr.  
23 Chairman.

24 MR. CRANSTON: Item 18 is confirmation of date,  
25 time and place of next Commission meeting -- Thursday,  
26 September 29, at nine a.m. in Sacramento. In connection with

1 this, and not in reference to this meeting but in reference  
2 to future meetings, several people in Southern California  
3 have asked us about the meeting time in Sacramento of nine  
4 a. m. -- which we will have for the next calendar, because  
5 it is already set; but apparently the people who are attend-  
6 ing the meetings of the Lands Commission at Sacramento are  
7 from the southern area and apparently a nine a.m. meeting  
8 is so early they must come up that night.

9 I'd like to ask if a ten a. m. meeting would be  
10 more convenient. If it is, we could start meeting at ten  
11 a.m. I see heads shaking in a down and up way, so a motion  
12 would be in order to set our time for ten a.m. after the  
13 coming meeting, for future meetings in Sacramento.

14 GOV. ANDERSON: I so move.

15 MR. CARR: I would like to ask would it be also  
16 more convenient if the meeting here began at ten a.m. for  
17 the benefit of those who might be coming from Sacramento?

18 GOV. ANDERSON: I don't think they have the same  
19 problem. You have most of the people represented in the  
20 south.

21 MR. CARR: The people from Long Beach still have  
22 to get up in the morning.

23 MR. CRANSTON: Would a ten a.m. meeting also in  
24 Los Angeles be more desirable from your points of view?

25 MR. LINGLE: Our only trouble with ten o'clock  
26 again, we get fogged in. We have run into problems. If the

1 planes get off the ground, we have no problems. If you make  
2 it nine, ten, eleven -- at least from Long Beach we like to  
3 come up the night before, only because we are afraid of the  
4 air lines.

5 MR. CRANSTON: That's a chance you take anyway.  
6 John, do you want to add that we meet at ten also in Los  
7 Angeles?

8 MR. CARR: If people are coming up some distance  
9 if we made it ten instead of nine it relieves the congestion  
10 on the freeway somewhat. I do move -- ten o'clock.

11 MR. CRANSTON: Both ends of the State. You accept  
12 the amendment?

13 GOV. ANDERSON: Yes.

14 MR. CRANSTON: Without objection it is so ordered  
15 that after the meeting on September 29th we will start meeting  
16 at ten o'clock and remember to make your lunch dates later  
17 than usual as we may be running past twelve o'clock.

18 The next meeting will be in Sacramento on Thursday,  
19 September 29th, at nine a.m., Room 2170 State Capitol.

20 If there is no further business, meeting is  
21 adjourned.

22 ADJOURNED 10:05 A.M.

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**CERTIFICATE OF REPORTER**

I, LOUISE H. LILLICO, reporter for the Division of Administrative Procedure, hereby certify that the foregoing thirty-two pages contain a full, true, and correct transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION held in Los Angeles, California on August 25, 1960.

Dated: Sacramento, California, August 31, 1960.

James N. Hill